

**MOUNTAINLAND ASSOCIATION OF
GOVERNMENTS**

Financial Statements

Year Ended June 30, 2005

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

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INDEPENDENT AUDITOR'S REPORT

Executive Council
Mountainland Association of Governments

We have audited the accompanying financial statements of the governmental activities, the *general fund* (a major fund), and the proprietary fund information of Mountainland Association of Governments, as of and for the year ended June 30, 2005, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Association's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the *general fund* (a major fund), and the proprietary fund information of Mountainland Association of Governments as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the *general fund* for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2005 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis, which follows this report, is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Agui & Company, PC

August 12, 2005

Management's Discussion and Analysis

This section of Mountainland Association of Governments' (the Association) annual financial report presents management's discussion and analysis of the Association's financial performance during the year ending June 30, 2005. Please read it in conjunction with the Association's financial statements, which follow this section.

Financial Highlights

- The Association's assets exceeded liabilities by \$1,319,402 at the close of the most recent fiscal year.
- During the year, expenses were \$101,781 more than the \$6,444,780 generated in revenues for governmental activities.
- Funding from operating grants and contributions totaled \$6,221,696 for the current year, about the same amount as the prior year. Funding is primarily to provide regional planning and adult and aging services for participants and member cities and counties within the Mountainland Region of Utah.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Association's basic financial statements. The Association's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Association's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the Association, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Association is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the Association changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The government-wide financial statements of the Association are reported as governmental activities. (The Association has no business-type activities.) Governmental activities include administration, regional planning, and aging and adult services. State and federal grants finance most of these activities.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Association, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Association can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Association's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Association's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Association maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, which is considered to be a major fund.

The Association adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

- **Proprietary funds.** The Association maintains one proprietary fund type. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Association's various functions. The Association used one internal service fund, and it is included within *governmental activities* in the government-wide financial statements.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents statistical information that can be found after the notes to the basic financial statements. The statistical information compares financial information for several years.

Government-wide Financial Analysis

Net assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Association, assets exceeded liabilities by \$1,319,402 at the close of the most recent fiscal year.

MOUNTAINLAND ASSOCIATION OF GOVERNMENT'S Net Assets

June 30, 2005 and 2004

	Governmental Activities		Total Change
	2005	2004	2005-2004
Current and other assets	\$ 901,188	\$ 1,017,066	\$ (115,878)
Capital assets, net of accumulated depreciation	1,156,494	1,225,443	(68,949)
Total assets	2,057,682	2,242,509	(184,827)
Current and other liabilities	431,314	603,466	(172,152)
Long-term liabilities outstanding	306,966	217,860	89,106
Total liabilities	738,280	821,326	(83,046)
Net assets:			
Invested in capital assets	1,156,494	1,225,443	(68,949)
Unrestricted	162,908	195,740	(32,832)
Total net assets	\$ 1,319,402	1,421,183	\$ (101,781)

- Net assets of the Association's governmental activities decreased 7.7% to \$1,319,402. However, \$1,156,494 of those net assets is invested in capital assets (building, computer and other equipment, and transportation equipment). The Association uses these capital assets to provide program services for participants and member cities and counties; consequently, these assets are *not* available for spending.
- *Unrestricted* net assets showed a \$162,908 balance at June 30, 2005. This balance may be used to meet Association obligations to employees and creditors and to honor next year's budget.

Changes in net assets. The Association's total net assets decreased by \$101,781 during the current year. This decrease was primarily from an increase in expenses for regional planning.

- The Association's total revenues increased by 1.8% to \$6,444,780. Federal and state grants make up 82.4% of the Association's revenues; local revenue generates 16.8% of the Association's revenues; the remainder of revenues is from matching contributions of in-kind services and facilities for programs administered by the Association.
- The total cost of all programs and services increased by 2.0% to \$6,546,561. This increase was mostly attributable to a growing population and additional programs during the year, which coincides with the increased revenues noted above.

MOUNTAINLAND ASSOCIATION OF GOVERNMENT'S Change in Net Assets
Years Ended June 30, 2005 and 2004

	Governmental Activities		Total Change
	2005	2004	2005-2004
Revenues:			
Program revenues:			
Charges for services	\$ 150,772	\$ 152,135	\$ (1,363)
Operating grants and contributions	6,221,696	5,972,774	248,922
General revenues:			
Federal, state, and local awards not restricted to specific programs	72,312	208,877	(136,565)
Total revenues	<u>6,444,780</u>	<u>6,333,786</u>	<u>110,994</u>
Expenses:			
Administrative	25,059	56,685	(31,626)
Regional planning	2,459,458	2,422,843	36,615
Aging and adult services	4,062,044	3,937,070	124,974
Total expenses	<u>6,546,561</u>	<u>6,416,598</u>	<u>129,963</u>
Change in net assets	(101,781)	(82,812)	(18,969)
Net assets, beginning	<u>1,421,183</u>	<u>1,503,995</u>	<u>(82,812)</u>
Net assets, ending	<u>\$ 1,319,402</u>	<u>\$ 1,421,183</u>	<u>\$ (101,781)</u>

Financial Analysis of the Association's Funds

As noted earlier, the Association uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund. The focus of the Association's *governmental fund* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Association's

financing requirements. As the Association completed the year, its governmental fund (the *general fund*) reported a fund balance of \$162,908, which was \$32,832 less than the previous year.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the Association's fund balance that is not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the Association's self-imposed limitation on the use of otherwise available expendable financial resources in its governmental fund.

General Fund Budgetary Highlights

During the year, the Council revised the Association's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$281,615 or 4.2% in total *general fund* revenues and expenditures. The most significant differences may be summarized as follows:

- \$306,560 decrease in regional planning, to reflect a delay in studies in progress during the year.

Actual expenditures were \$301,457 less than final budgeted amounts. Actual revenues were \$334,289 less than budgeted. Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Assets

The Association acquired no capital assets during the year ended June 30, 2005. A summary of capital assets at June 30, 2005 and 2004 is outlined below:

MOUNTAINLAND ASSOCIATION OF GOVERNMENT'S Capital Assets

(Net of accumulated depreciation)

June 30, 2005 and 2004

	Governmental Activities		Total Change
	2005	2004	2005-2004
Building	\$1,092,737	\$1,125,639	\$ (32,902)
Computer and other equipment	-	7,137	(7,137)
Transportation equipment	63,757	92,667	(28,910)
Total liabilities	<u>\$1,156,494</u>	<u>\$1,225,443</u>	<u>\$ (68,949)</u>

Additional information on the Association's capital assets can be found in Note 3 to the basic financial statements.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, participants, member cities and counties, and creditors a general overview of the Association's finances and to demonstrate the Association's accountability for the funding it receives. If you have any questions about this report or need additional financial information, please contact Mountainland Association of Governments, Executive Director, 586 East 800 North, Stratford Park, Orem, Utah 84097.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Statement of Net Assets

June 30, 2005

	Governmental Activities
Assets:	
Cash and investments	\$ 349,341
Intergovernmental receivables:	
Federal	179,797
State	111,802
Local	220,715
Prepays and deposits	39,533
Capital assets, net of accumulated depreciation:	
Building	1,092,737
Equipment	63,757
Total assets	2,057,682
Liabilities:	
Accounts, wages, and contracts payable	302,267
Deferred revenue:	
Federal	139
State	3,193
Local	125,715
Long-term liabilities:	
Portion due or payable within one year	214,876
Portion due or payable after one year	92,090
Total liabilities	738,280
Net Assets:	
Invested in capital assets	1,156,494
Unrestricted	162,908
Total net assets	\$ 1,319,402

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Statement of Activities

Year Ended June 30, 2005

Activities and Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Governmental activities:				
Administrative	\$ 25,059	\$ 3,015	\$ -	\$ (22,044)
Regional planning	2,459,458	55,786	2,295,339	(108,333)
Aging and adult services	4,062,044	91,971	3,926,357	(43,716)
Total	<u>\$ 6,546,561</u>	<u>\$ 150,772</u>	<u>\$ 6,221,696</u>	(174,093)
General revenues:				
Local and miscellaneous				<u>72,312</u>
Change in net assets				(101,781)
Net assets, beginning of year				<u>1,421,183</u>
Net assets, end of year				<u>\$ 1,319,402</u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Balance Sheet Governmental Fund

June 30, 2005

	<u>General Fund</u>
Assets:	
Cash and investments	\$ 42,375
Intergovernmental receivables:	
Federal	179,797
State	111,802
Local	220,715
Prepays and deposits	<u>39,533</u>
Total assets	<u>\$ 594,222</u>
Liabilities and fund balance:	
Liabilities:	
Accounts, wages, and contracts payable	\$ 302,267
Deferred revenue:	
Federal	139
State	3,193
Local	<u>125,715</u>
Total liabilities	431,314
Fund balance:	
Reserved for:	
Mountainland Travel Region	35,016
Unreserved, undesignated	<u>127,892</u>
Total fund balance	<u>162,908</u>
Total liabilities and fund balance	<u>\$ 594,222</u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Assets

June 30, 2005

Total fund balances for the governmental fund	\$	162,908
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Total net assets reported for governmental activities in the statement of net assets are different because:

Capital assets used in the governmental fund are not financial resources and therefore are not reported in the fund. Those assets consist of:

Building, net of \$196,520 accumulated depreciation	\$ 1,092,737	
Equipment, net of \$235,023 accumulated depreciation	<u>63,757</u>	1,156,494

An internal service fund is used by management to charge the costs of compensated absences to the *general fund*. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. Internal service fund net assets at year-end are zero.

Total net assets of governmental activities	\$	<u><u>1,319,402</u></u>
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The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2005

	<i><u>General Fund</u></i>
Revenues:	
Federal	\$ 2,657,905
State	1,614,037
Local	1,041,727
Contributed services and facilities	<u>980,339</u>
Total revenues	6,294,008
 Expenditures:	
Administrative	11,946
Regional planning	2,388,537
Aging and adult services	<u>3,926,357</u>
Total expenditures	<u>6,326,840</u>
Net change in fund balance	(32,832)
 Fund balance, beginning of year	<u>195,740</u>
Fund balance, end of year	<u><u>\$ 162,908</u></u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities
Year Ended June 30, 2005

Net change in fund balance of total governmental fund **\$ (32,832)**

Amounts reported for governmental activities in the statement of activities are different because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for building are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ -	
Depreciation expense	<u>(68,949)</u>	(68,949)

An internal service fund is used by management to charge the costs of compensated absence benefit services to the *general fund*. The net revenue of the internal service fund is reported with governmental activities.

Change in net assets of governmental activities	<u><u>\$ (101,781)</u></u>
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The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Federal	\$ 3,435,120	\$ 2,947,340	\$ 2,657,905	\$ (289,435)
State	1,264,748	1,346,493	1,614,037	267,544
Local	1,161,106	1,242,473	1,041,727	(200,746)
Contributed services	1,048,938	1,091,991	980,339	(111,652)
Total revenues	6,909,912	6,628,297	6,294,008	(334,289)
Expenditures:				
Administrative	104,476	104,476	11,946	92,530
Regional planning	2,892,882	2,586,322	2,388,537	197,785
Aging and adult services	3,912,554	3,937,499	3,926,357	11,142
Total expenditures	6,909,912	6,628,297	6,326,840	301,457
Net change in fund balance	-	-	(32,832)	(32,832)
Fund balance, beginning of year	-	195,740	195,740	-
Fund balance, end of year	\$ -	\$ 195,740	\$ 162,908	\$ (32,832)

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Fund Net Assets
Proprietary Fund
June 30, 2005

	Governmental Activities - Internal Service Fund
Assets:	
Cash and investments	\$ 306,966
Liabilities:	
Compensated absences payable	<u>306,966</u>
Net assets:	
Restricted for employee benefits	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
Year Ended June 30, 2005

	<u>Governmental Activities - Internal Service Fund</u>
Revenues:	
Earnings on investments	\$ -
Charges for services	<u>150,772</u>
Total revenues	150,772
Expenses:	
Compensated absences benefits	<u>150,772</u>
Net Income	-
Net Assets, Beginning of Year	<u>-</u>
Net Assets, End of Year	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of these statements.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Statement of Fund Cash Flows

Proprietary Fund

Year Ended June 30, 2005

	<u>Governmental Activities - Internal Service Fund</u>
Cash flows from operating activities:	
Charges for services received from general fund	\$ 150,772
Cash paid for compensated absences	<u>(61,666)</u>
Net cash provided by operating activities	89,106
Cash and Cash Equivalents, Beginning of Year	<u>217,860</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 306,966</u></u>
 Displayed on statements of fund net assets as:	
Cash and investments	<u><u>\$ 306,966</u></u>

Supplemental Information:

Cash and cash equivalents includes amounts in demand deposits and amounts in the Utah Public Treasurers' Investment Fund as well as short-term investments with a maturity date within three months of the date acquired by the Association.

The Association had no noncash investing, noncapital financing, or capital and related financing activities.

A reconciliation of cash flows provided by operating activities to net income follows:

Net cash provided by operating activities	\$ 89,106
Increase in compensated absences payable	<u>(89,106)</u>
Net income	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Mountainland Association of Governments (Association) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Association are described below.

Reporting entity – The Executive Council, comprised of county commissioners of Summit, Utah and Wasatch counties and mayors of cities within those counties, is the governing authority for the Association. The Association is an independent reporting entity. No other entity meets the criteria for inclusion in the Association's financial report.

The Association was formed in 1971 as an interlocal agency and is a voluntary association of local governments in Summit, Utah, and Wasatch Counties in the State of Utah. Resources of the Association are primarily federal, state, and local grants and contracts to provide services and administer programs in the following areas:

Regional planning (transportation planning, air and water quality planning, economic development planning and coordination, community development assistance, and tourism promotion)

Aging and adult services (volunteer programs, social support services, support for senior citizens centers, transportation, congregate and home-delivered meals, and advocacy for the elderly)

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net assets and the statement of changes in net assets) display information about the government (the Association). These statements include the financial activities of the overall government. Adjustments have been made to eliminate the double-counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Association's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a building is used primarily for regional planning, aging and adult services, and administration) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include 1) charges for services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues are presented as general revenues.

The *fund financial statements* provide information about the Association's funds. Separate statements for each fund category (governmental and proprietary) are presented.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Operating expenses result from transactions directly associated with the fund's principal services.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

The Association reports the following major governmental fund:

- The *general fund* is the Association's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Association reports the following fund types:

- The *employee benefits internal service fund (proprietary fund)* accounts for the accumulation of resources to pay for accrued vacation and sick leave for eligible employees of the Association.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide financial statements* are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Association receives value without directly giving equal value in exchange, include grants and contributions. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. For this purpose, the Association considers revenues are available if they are collected within sixty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund.

Under the terms of grant agreements, the Association funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The Association primarily applies cost-reimbursement grant resources first to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data – The Association operates within the budget requirements for special districts as specified by Utah state law. Budgets are presented on the modified accrual basis of accounting for the governmental fund. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- Each year the executive director and staff submit to the Executive Council a proposed budget for each fiscal year commencing July 1st. This budget includes proposed expenditures and the means of financing them. The Association primarily works with budgets for each grant that it receives.
- The Executive Council approves the budget and submits a copy to the state auditor.
- As determined by the state auditor and state statutes, no expenditures are to be made in excess of amounts budgeted for each department (function).

Expenditure-driven grants are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

met; unspent grant amounts are carried forward and included in the succeeding fiscal year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Cash and Investments – The cash balances of the funds are pooled and invested by the Association for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool's investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Prepays and deposits – Payments made for goods and services that will benefit periods beyond June 30, 2005 are recorded as prepaids.

Capital Assets – Capital assets, which include building, computer and other equipment, and transportation equipment, are reported in the government-wide financial statements. The Association defines capital assets as assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for building and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized. Buildings and equipment of the Association are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building	40
Transportation equipment	5
Computer and other equipment	3

Compensated Absences – Permanent employees earn vacation and sick leave in amounts varying with tenure. Upon separation from employment, each employee shall receive payment for all unused accrued vacation leave up to but not to exceed 240 hours. Upon separation from employment, each employee may receive up to 25% of unused sick leave. Unpaid vacation and sick leave is accounted for in the Association's internal service fund.

Fund Equity – In the fund financial statements, the governmental fund reports reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

2. DEPOSITS AND INVESTMENTS

The Association follows the requirements of the Utah Money Management Act (Section 51, Chapter 7 of the Utah Code) in handling its depository and investing transactions. Association funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the Association to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is invested in accordance with the Act. The State Money Management Council provides regulatory oversight for the PTIF. The degree of risk of the PTIF depends upon the underlying portfolio. The State Money Management Council requires semi annual reporting of all cash balances and investments.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The Association considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits – The Association's carrying amount of bank deposits at June 30, 2005 is \$88,916 and the bank balance is \$235,666. Of the bank balance, \$131,190 is covered by federal depository insurance. No deposits are collateralized, nor are they required to be by state statute. As of June 30, 2005, \$104,476 is exposed to custodial credit risk.

Deposits and investments at June 30, 2005 appear in financial statements as summarized below:

Carrying amount of deposits	\$ 88,916
Carrying amount of investments	260,425
	<u>\$ 349,341</u>
Cash and investments - governmental fund (<i>general fund</i>)	\$ 42,375
Cash and investments - proprietary fund (<i>employee benefits internal service fund</i>)	306,966
Total cash and investments	<u>\$ 349,341</u>

Investments – At year-end, the Association's investment balances of \$260,425 were held in the Public Treasurers' Investment Fund (PTIF.)

Investment Type	Fair Value	Maturities Less Than 1 Year	Credit Rating
State of Utah Public Treasurers' Investment Fund	\$ 260,425	\$ 260,425	Unrated

Credit Risk – Credit quality can be a depiction of potential variable cash flows and credit risk. The Association does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Association does not have a formal investment policy for custodial credit risk in regard to the custody of the Association's investments.

Concentration of Credit Risk – The Association places no limit on the amount it may invest in any one issuer. All of the Association's investments are invested with the Utah State Treasurer in the PTIF.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, being depreciated:				
Building	\$ 1,289,257	\$ -	\$ -	\$ 1,289,257
Computer equipment	45,204	-	-	45,204
Other equipment	13,040	-	-	13,040
Transportation equipment	240,536	-	-	240,536
Total capital assets, being depreciated	1,588,037	-	-	1,588,037
Accumulated depreciation for:				
Building	(163,618)	(32,902)	-	(196,520)
Computer equipment	(38,067)	(7,137)	-	(45,204)
Other equipment	(13,040)	-	-	(13,040)
Transportation equipment	(147,869)	(28,910)	-	(176,779)
Total accumulated depreciation	(362,594)	(68,949)	-	(431,543)
Net capital assets, being depreciated /				
Net governmental activity capital assets	<u>\$ 1,225,443</u>	<u>\$ (68,949)</u>	<u>\$ -</u>	<u>\$ 1,156,494</u>

For the year ended June 30, 2005, depreciation expense was charged to functions of the Association as follows:

Governmental activities:	
Administrative	\$ 10,098
Regional planning	15,135
Aging and adult services	43,716
Total depreciation expense, governmental activities	<u>\$ 68,949</u>

4. RETIREMENT PLANS

Defined Benefit Plan – The Association contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code annotated 1953, as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System. A copy of

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the Local Governmental Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all paid by the employer for the employee) and the Association is required to contribute 7.08% of their annual covered salary. In the Local Governmental Noncontributory Retirement System the Association is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

The Association's contributions to the Local Government Contributory Retirement System for the years ended June 30, 2005, 2004, and 2003, were \$38,285, \$31,876, and \$28,559, respectively. Contributions to the Local Government Noncontributory Retirement System for the years ended June 30, 2005, 2004, and 2003, were \$165,780, \$143,686, and \$121,540, respectively. The contributions were equal to the required contributions for each year.

The Association participates in a deferred compensation plan - under Internal Revenue Code Section 401(k) - to supplement retirement benefits accrued by participants in the Systems. Employees, who are participants in the Systems, can make additional contributions to the 401(k) plan. These employee contributions were \$14,694, \$11,187, and \$9,226, for the years ended June 30, 2005, 2004, and 2003, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are held by the Utah Retirement Systems. The Association contributed \$10,655, \$8,343, and \$7,352 to the 401(k) plan during the years ended June 30, 2005, 2004, and 2003, respectively.

Defined Contribution Plans - The Association has adopted a 401(k) money purchase pension plan with 100% annual vesting and is available to all employees. The Association is obligated to make annual contributions to the plan at a rate from 7.5% to 15.43% of wages paid to eligible employees. Participants can also make nondeductible voluntary contributions to the plan. For the year ended June 30, 2005, the Association contributed \$331,182 to the plan and had a liability to the plan of \$29,072 at June 30, 2005. A financial institution holds plan assets.

The Association also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participating. Employee contributions to the Section 457 plan totaled \$1,099 for the year ended June 30, 2005. The assets of the plan are administered and held by Utah Retirement Systems and a third-party administrator.

5. RISK MANAGEMENT

The Association also maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$2 million per occurrence through policies administered by the Utah Local Governments Trust (Fund). The Association also insures its building and contents against all insurable risks of direct physical loss or damage with the Fund. Property physical damage is insured to replacement value with a \$1,000 deductible; automobile physical damage is insured to actual value with a \$500 deductible; other liability is limited to the lesser of \$2 million or the statutory limit. The Fund is a public entity risk pool operated by the State for the benefit of the State and local governments within the State. The Association pays annual premiums to Fund; the Fund obtains independent coverage for insured events, up to \$25 million per location. This is a pooled arrangement where the participants' pay experienced rated annual premiums, which are designed to pay claims and build sufficient reserves so that the pool will be able to protect the participating entities with its own capital. The pool reinsures excess

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

Notes to Basic Financial Statements

Continued

losses to preserve the capital base. Insurance coverage from coverage by major category of risk has remained relatively constant as compared to the prior fiscal year. Insurance settlements have not exceeded insurance coverage for the past three years.

Unemployment compensation is maintained through Utah Department of Workforce Services; settled claims for the past three years have been insignificant. Utah Local Governments Trust covers all Association employees for workers' compensation.

6. LONG-TERM OBLIGATIONS

Long-term liabilities include obligations for compensated absences (unpaid vacation and sick leave). Changes in compensated absences liability for the year ended June 30, 2005 are \$217,860 beginning balance plus \$150,772 in vacation and sick leave earned less \$61,666 of vacation and sick leave used, leaving an ending balance of \$306,966, of which \$214,876 is anticipated to be paid in the year ending June 30, 2006.

7. LINE OF CREDIT

On June 26, 2001, the Association entered into an agreement with a financial institution for a \$100,000 line of credit. The outstanding balance on the line of credit was zero at June 30, 2005. The Association has used the building it owns as collateral on the line of credit. The Association did not use the line of credit during the year ended June 30, 2005.

8. GRANTS

The Association receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the Association's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund* or other applicable fund. Based on prior experience, Association administration believes such disallowance, if any, would be immaterial.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

GENERAL FUND

COMPARATIVE BALANCE SHEETS

June 30, 2005 through 2001

	2005	2004	2003	2002	2001
Assets:					
Cash and investments	\$ 42,375	\$ 8,918	\$ 60,512	\$ 29,070	\$ 94,669
Intergovernmental receivables:					
Federal	179,797	274,420	266,644	272,294	405,719
State	111,802	216,376	33,801	255,478	176,087
Local	220,715	221,225	287,762	101,394	49,612
Prepays and deposits	39,533	78,267	67,888	19,418	37,388
Total assets	\$ 594,222	\$ 799,206	\$ 716,607	\$ 677,654	\$ 763,475
Liabilities and fund balances:					
Liabilities:					
Accounts, wages, and contracts payable	\$ 302,267	\$ 406,475	\$ 283,713	\$ 412,210	\$ 501,030
Deferred revenues:					
Federal	139	-	15,723	-	12,774
State	3,193	615	2,294	-	4,868
Local	125,715	196,376	172,543	135,356	127,963
Total liabilities	431,314	603,466	474,273	547,566	646,635
Fund balances:					
Reserved for:					
Mountainland Travel Region	35,016	40,793	47,577	50,265	57,196
Transportation	-	-	46,541	-	-
Unreserved, undesignated	127,892	154,947	148,216	79,823	59,644
Total fund balances	162,908	195,740	242,334	130,088	116,840
Total liabilities and fund balances	\$ 594,222	\$ 799,206	\$ 716,607	\$ 677,654	\$ 763,475

Source: Information taken from the Association's audited financial statements. This summary itself has not been audited.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
GENERAL FUND
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Years Ended June 30, 2005 through 2001

	2005	2004	2003	2002	2001
Revenues:					
Federal	\$ 2,657,905	\$ 2,455,495	\$ 2,452,241	\$ 2,431,300	\$ 2,292,872
State	1,614,037	1,452,631	1,199,205	1,120,838	1,204,185
Local	1,041,727	1,300,002	1,290,431	1,294,022	918,066
Contributed match	980,339	973,523	1,124,418	1,286,612	991,114
Total revenues	6,294,008	6,181,651	6,066,295	6,132,772	5,406,237
Expenditures by function:					
Administrative	11,946	43,544	112,284	165,622	80,106
Regional planning	2,388,537	2,351,978	2,068,012	2,034,193	1,910,358
Aging and adult services	3,926,357	3,832,723	3,773,753	3,919,709	3,420,035
Total expenditures	6,326,840	6,228,245	5,954,049	6,119,524	5,410,499
Change in Fund Balance	(32,832)	(46,594)	112,246	13,248	(4,262)
Fund Balance, Beginning of Year	195,740	242,334	130,088	116,840	121,102
Fund Balance, End of Year	<u>\$ 162,908</u>	<u>\$ 195,740</u>	<u>\$ 242,334</u>	<u>\$ 130,088</u>	<u>\$ 116,840</u>
Expenditures by Object:					
Personnel	\$ 2,933,764	\$ 2,742,318	\$ 2,556,510	\$ 2,505,954	\$ 2,290,109
Telephone, travel, and other	228,939	199,298	179,271	174,939	173,863
Administrative and accounting	449,676	413,971	399,864	380,610	364,339
Contracts and pass-through	1,658,047	1,809,508	1,602,843	1,671,629	1,471,105
Occupancy and supplies	76,075	89,627	91,143	99,780	119,969
Contributed match	980,339	973,523	1,124,418	1,286,612	991,114
Total expenditures	<u>\$ 6,326,840</u>	<u>\$ 6,228,245</u>	<u>\$ 5,954,049</u>	<u>\$ 6,119,524</u>	<u>\$ 5,410,499</u>

Source: Information taken from the Association's audited financial statements. This summary itself has not been audited.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS

**SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS**

Year Ended June 30, 2005

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Mountainland Association of Governments Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	MAG Fund Number	Award Period	Award Amount	Accrued (Deferred) Revenue at 06/30/04	Receipts	Disbursements	Accrued (Deferred) Revenue at 06/30/05
U.S. DEPARTMENT OF AGRICULTURE									
Passed Through State Department of Social Services:									
Food Donation	10.550	04-0006	795	07/01/04-06/30/05	\$ 189,510	\$ -	\$ 189,510	\$ 189,510	\$ -
U.S. DEPARTMENT OF COMMERCE									
Direct Programs:									
Economic Development-Support for Planning Organizations	11.302	05-83-004109	225	01/01/03-12/31/04	52,000	-	26,000	28,062	2,062
Economic Development-Support for Planning Organizations	11.302	05-83-03970	224	07/01/04-12/31/04	52,000	14,904	52,000	37,096	-
						14,904	78,000	65,158	2,062
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT									
Passed Through State Department of Community and Economic Development:									
Community Development Block Grants/State's Program	14.228	03-1376	163	01/08/03-12/31/04	635,000	45,482	241,702	196,220	-
Community Development Block Grants/State's Program	14.228	04-2218	165	06/21/04-12/31/05	245,421	-	91,389	135,713	44,324
Community Development Block Grants/State's Program	14.228	04-1782	170	03/17/04-12/31/04	23,726	12,382	23,726	11,512	168
						57,864	356,817	343,445	44,482
U.S. DEPARTMENT OF TRANSPORTATION									
Passed Through State Department of Transportation:									
Highway Planning and Construction	20.205	04-8059	124	07/01/03-06/30/04	903,000	57,236	57,236	-	-
Highway Planning and Construction	20.205	03-8135	125	08/03/04-10/31/05	774,022	9,980	895,137	969,058	83,901
Highway Planning and Construction	20.205	01-9240	114	10/01/03-09/30/04	220,000	46,801	104,951	58,150	-
Highway Planning and Construction	20.205	04-8181	148	09/11/03-06/30/04	25,000	12,500	12,500	-	-
Highway Planning and Construction	20.205	05-8460	149	07/01/04-06/30/05	24,056	-	12,500	24,056	11,558
						128,517	1,082,324	1,051,264	95,457
ENVIRONMENTAL PROTECTION AGENCY									
Passed Through State Department of Health:									
Water Quality Management Planning	66.454	03-1741	050	03/01/03-01/01/05	11,000	7,039	7,295	915	659
Nonpoint Source Implementation Grant	66.460	03-0318	073	07/01/02-06/30/05	156,000	3,197	-	1,500	4,697
Surveys, Studies, Investigations and Special Purpose Grants	66.606	02-1705	075	01/01/02-12/31/05	135,400	-	4,650	6,130	1,480
						10,236	11,945	8,545	6,836
FEDERAL EMERGENCY MANAGEMENT ADMINISTRATION									
Passed Through State Department of Health:									
Pre-Disaster Mitigation	83.557	04-0969	194	01/01/04-09/30/04	10,000	9,602	10,000	259	(139)
BUREAU OF RECLAMATION									
Direct Programs:									
Fish & Wildlife Coordination Act	85.264	02-FC-40-8630	055	09/23/03-12/31/05	60,000	6,110	38,307	44,561	12,364

Mountainland Association of Governments
Schedule of Expenditures of Federal Awards

Year Ended June 30, 2005

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Grantor's Number	MAG Fund Number	Award Period	Award Amount	Accrued (Deferred) Revenue at 06/30/04	Receipts	Disbursements	Accrued (Deferred) Revenue at 06/30/05
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES									
Passed Through State Department of Human Services:									
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	04-0006	795	07/01/04-06/30/05	\$ 4,126	\$ -	\$ 4,126	\$ 4,126	\$ -
Special Programs for the Aging-Title III, Part F-Disease Prevention and Health Promotion Services	93.043	04-0006	795	07/01/04-06/30/05	13,248	-	13,248	13,248	-
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	04-0006	795	07/01/04-06/30/05	141,265	-	140,390	141,265	875
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	04-0006	795	07/01/04-06/30/05	378,323	-	378,323	378,323	-
National Family Caregiver Support	93.052	04-0006	795	07/01/04-06/30/05	105,976	-	105,976	105,976	-
Social Services Block Grant	93.667	04-0197	714	07/01/03-06/30/04	211,220	47,084	175,572	-	-
Social Services Block Grant	93.667	04-7241	715	07/01/04-06/30/05	207,766	-	193,282	-	17,710
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	03-0202	794	07/01/01-06/30/04	6,000	2,103	-	-	-
Centers for Medicare and Medicaid Services (CMS) Research Demonstrations and Evaluations	93.779	04-0006	795	07/01/04-06/30/05	6,000	-	6,000	-	-
						49,187	872,822	842,220	18,585
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE									
Direct Programs:									
Retired and Senior Volunteer Program	94.002	05SRPUT003	886	04/01/05-03/31/06	92,805	-	21,100	21,100	-
Retired and Senior Volunteer Program	94.002	02SRPUT051	885	04/01/04-03/31/05	91,843	-	91,843	91,843	-
						-	112,943	112,943	-
Total federal awards to Mountainland Association of Governments						\$ 274,420	\$ 2,752,668	\$ 2,657,905	\$ 179,657

The Association also received \$158,320 from the State Medicaid Waiver program not included on this schedule; these funds are direct federal cash assistance to individuals.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Mountainland Association of Governments (the Association). The Association reporting entity is defined in Note 1 to the Association's financial statements. All federal financial awards received directly from federal agencies as well as federal financial awards passed through from other government agencies are included on the schedule.

Note B. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for assistance received by governmental fund types, which is described in Note 1 to the Association's financial statements.

Note C. Relationship to Association's Financial Statements

Federal awards expended on the schedule of expenditures of federal awards for the year ended June 30, 2005 are reconciled to the Association's financial statements as follows:

Federal revenue on Combined Statement of
Revenues, Expenditures and Changes in
Fund Balances - General Fund

\$ 2,657,905



**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Executive Council
Mountainland Association of Governments

We have audited the financial statements of Mountainland Association of Governments as of and for the year ended June 30, 2005, and have issued our report thereon dated August 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mountainland Association of Governments' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mountainland Association of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Executive Council, management, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Squire & Company, PC

August 12, 2005



**Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

**Executive Council
Mountainland Association of Governments**

Compliance

We have audited the compliance of the Mountainland Association of Governments with the types of compliance described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2005. Mountainland Association of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Mountainland Association of Governments' management. Our responsibility is to express an opinion on Mountainland Association of Governments' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mountainland Association of Governments' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mountainland Association of Governments' compliance with those requirements.

In our opinion, Mountainland Association of Governments complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Mountainland Association of Governments is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Mountainland Association of Governments' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error of fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal controls over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the *general fund* (a major fund), and the proprietary fund information of Mountainland Association of Governments, as of and for the year ended June 30, 2005, and have issued our report thereon dated August 12, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mountainland Association of Government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Executive Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Agui & Company, PC

August 12, 2005

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2005

No matters were reported in the prior year audit.

MOUNTAINLAND ASSOCIATION OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

I. Summary of auditor's results:

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weakness(es) identified? ☐ yes ☒ no

-Reportable condition(s) identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

Federal Awards:

Internal control over major programs:

-Material weakness(es) identified? ☐ yes ☒ no

-Reportable condition(s) identified that are not considered to be material weakness(es)?
☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



**Independent Auditor's Report on
Legal Compliance in Accordance with the
State of Utah Legal Compliance Audit Guide**

**Executive Council
Mountainland Association of Governments**

We have audited the financial statements of the governmental activities, the general fund (a major fund), and the proprietary fund information of Mountainland Association of Governments for the year ended June 30, 2005, which collectively comprise Mountainland Association of Government's basic financial statements, and have issued our report thereon dated August 12, 2005. As part of our audit, we have audited the Association's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and reporting. The Association received the following major state assistance program from the State of Utah:

Adult Services - HCB Alternatives Program (Department of Human Services)

The Association also received the following non major grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of the Association's financial statements.)

**Mountainland Travel Region (Department of Community and Economic Development)
Alcohol and Drug (Utah County Department of Substance Abuse)
Aging and Adult Services - Caregiver Respite Services (Department of Human Services)**

The Association received state matching funds for the following federal programs which are not required to be audited for specific state compliance requirements: (However, these programs were subject to test work as part of the audit of the Association's financial statements which audit was made in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.)

**Aging - Support Services, Nutrition, Transportation, Ombudsman, Action, and Home Delivery
(Department of Human Services)
Medicaid Waiver (Department of Human Services)**

Our audit also included test work on the Association's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

**Cash Management
Budgetary Compliance**

**Purchasing Requirements
Other General Compliance Requirements**

The management of the Association is responsible for the Association's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Mountainland Association of Governments complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major state assistance programs for the year ended June 30, 2005.

Aguin & Company, PC

August 12, 2005



Letter to Management

August 12, 2005

Executive Council
Mountainland Association of Governments

In planning and performing our audit of the financial statements of Mountainland Association of Governments for the year ended June 30, 2005, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 12, 2005 on the financial statements of the Association. Also, reportable conditions and material internal control weaknesses, if any, are included in our reports dated August 12, 2005, in accordance with *Government Auditing Standards* and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Prior Year Comments

Comments from audits of prior years have been addressed and have been or are being resolved.

Current Year Comments

Three-Day Deposit Rule – The State requires that public funds be deposited daily when receipts are significant and in no case should deposits be made more than three days after funds are received. Cash and checks are not always deposited within three days of receipt.

We recommend that cash be receipted on the same day received and deposited within three days of receipt.

Views of responsible officials: We appreciate the auditor's advice. We will update procedures to ensure compliance.

The status of these comments will be reviewed during the next audit year. We have already discussed in detail these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations. We appreciated being able to work with Association personnel in our audit. We note the care that the staff takes in accounting for the Association's financial information.

Squire & Company, PC

Squire & Company, PC